

FILING SEASON HERALDS MORE CHANGES AT IRS

WASHINGTON – The Internal Revenue Service has taken a number of important steps during this year's filing season to improve taxpayer service, but more work remains in the years ahead to finish the agency's transformation into a customer-oriented organization, IRS Commissioner Charles O. Rossotti said Monday.

"We have achieved a great deal of success this year, but we have a long road in front of us," Rossotti said. "Modernizing the IRS will require fundamental changes in almost every aspect of the agency. The process will take years, but it is essential for the IRS to achieve a higher level of performance to meet the needs of taxpayers and the nation."

Rossotti outlined his vision for the IRS during a gathering of members of Washington's Regional Reporters Association. With the April 15 tax deadline just 10 days away, Rossotti said the IRS has shown progress in several areas this year:

Taxpayers continue using electronic filing at a record pace. Computer e-filing of tax returns – either by tax preparers or those using home computers – is 23 percent ahead of last year.

Electronic filing and the new \$400 child tax credit have helped encourage more taxpayers to send in their returns early this year. Returns are nearly 3 percent ahead of last year's pace. Despite the early influx of tax returns, overall IRS processing remains slightly ahead of last year.

As part of the IRS's emphasis on service, taxpayers can now reach the toll-free IRS help line (1-800-829-1040) 24 hours a day, seven days a week.

Taxpayers have used various IRS services – telephones, the IRS web site and in-person assistance – tens of millions of times this year. The IRS's "Digital Daily" web site at www.irs.ustreas.gov has received more than 500 million hits since Jan. 1 – more than 150 percent ahead of last year.

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“We need to build on the successes of this year’s filing season to help us prepare for the next steps of the IRS reorganization,” Rossotti said. “Simply put, we have a lot of work to do in the years ahead.”

Several long-term changes are in the works that will fundamentally alter the way the IRS does business.

Following passage of last year’s landmark IRS Restructuring and Reform Act, the entire agency is reorganizing. Starting later this year, the IRS will begin shifting from being geographically based in 33 local district offices to a customer-based structure built around four major groups of taxpayers:

The Wage and Investment Income Operating Division will cover 88 million tax filers. This category includes all 1040 filers.

The Small Business & Self-Employed Operating Division will cover 40 million filers.

The Large and Mid-Size Business Operating Division will cover 170,000 filers.

The Tax Exempt Operating Division will cover about 1.5 million filers.

The IRS also has embarked on a massive computer modernization effort to replace systems dating to the 1960s with state-of-the-art technology that can improve service and add new security features.

“To improve service, the IRS needs to break out of its technological time warp,” Rossotti said.

The IRS is working with a consortium of private companies in a computer modernization effort that’s expected to touch on every facet of the agency. The project, called the Prime contract, is expected to last 10-15 years.

The combination of changes reflect the new IRS mission statement to “provide America’s taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.”

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“The IRS has the opportunity to rise to a new and much higher level of performance,” Rossotti said. “If we are successful, millions of American taxpayers will benefit for years to come. They will have a tax agency serving them the way they expect to be served.”

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